

**ATCO**  
 GROUP

# NewsRelease

**ATCO LTD. & CANADIAN UTILITIES LIMITED**

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July 25, 2005

**ATCO REPORTS SECOND QUARTER OPERATIONAL EARNINGS INCREASE OF 7%**

CALGARY, Alberta – ATCO Ltd. reported a 7% increase in earnings for the three months ended June 30, 2005 compared to same period in 2004, excluding the impact of the retail sale gain.

Second quarter earnings were \$28.1 million (\$0.94 per share) compared to \$26.3 million (\$0.88 per share) for the same period in 2004, excluding the one-time \$28.5 million gain from the retail sale by ATCO Gas and ATCO Electric of their energy supply businesses to Direct Energy. Second quarter 2004 earnings were \$54.8 million (\$1.84 per share) including the one-time retail sale gain.

**Financial Summary**

**For the Three Months  
Ended June 30**
**For the Six Months  
Ended June 30**

2005

2004

2005

2004

(\$ Millions except per share data)

(unaudited)

Revenues.....	630.5	731.2	1,445.1	1,957.6
Earnings.....	28.1	54.8	70.7	93.0
Earnings excluding the retail sale gain .....	28.1	26.3	70.7	64.5
Earnings per Class I and II share.....	0.94	1.84	2.36	3.12
Earnings per Class I and II share excluding retail sale gain	0.94	0.88	2.36	2.16
Cash flow from operations.....	124.9	101.4	371.9	277.1

Revenues for the three and six months ended June 30, 2005 decreased primarily due to Direct Energy assuming responsibility for selling natural gas and electricity to customers since the completion of the retail sale in the second quarter of 2004.

Earnings for the three months and six months ended June 30, 2005, excluding the retail sale gain, increased primarily due to:

- improved business activity in ATCO Structures' operations in Canada, Australia, South America and the United States;
- higher earnings in ATCO Midstream;
- the impact in 2005 of the Alberta Energy and Utilities Board (AEUB) decision adjusting the 2001 and 2002 revenue requirements for changes in deferred income taxes recorded in ATCO Electric;
- the impact of the previously announced TXU Europe settlement in ATCO Power; and
- increased business activity, including work for new customers in ATCO I-Tek.

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The improved earnings were partially offset by:

- higher capital expenditures and operations and maintenance costs incurred in 2005 by ATCO Gas that are not reflected in current customer rates. ATCO Gas has filed an application requesting the AEUB to incorporate these higher costs in customer rates;
- increased share appreciation rights expense due to higher share prices; and
- warmer temperatures in ATCO Gas.

**Cash flow from operations for the three months ended June 30, 2005** increased primarily due to decreased availability penalties related to planned and unplanned outages in Alberta Power (2000). **Cash flow from operations for the six months ended June 30, 2005** increased primarily due to the impact of the TXU Europe settlement and increased availability incentives in Alberta Power (2000).

**Second Quarter Other Highlights include:**

- **ATCO Frontec** was awarded a contract from NATO Maintenance and Supply Agency in Luxembourg to provide the operations and maintenance of communications information systems in Bosnia.
- **ATCO Electric** was the first Canadian company to be awarded the International Edison Award by the Washington based Edison Electric Institute. The electricity industry's most prestigious international award worldwide was awarded for ATCO Electric's leadership and innovation in the construction of the Dover to Whitefish transmission line in 2004.
- **ATCO Noise Management** announced a new contract that will utilize proprietary technology developed by the company used to silence noise for the expansion of the world's largest nitrogen production complex at the Cantarell Nitrogen Project in Campeche, Mexico.
- **ATCO Group** is celebrating Alberta's Centennial with two major province-wide programs – ATCO Places in Time, a historic traveling exhibit and a unique ATCO travel passport – both designed to celebrate the province's history and showcase ATCO's commitment to the 300 communities it serves.

ATCO Ltd.'s consolidated financial statements and management's discussion and analysis of financial condition and results of operations for the three and six months ended June 30, 2005 are now available on ATCO Ltd.'s website ([www.atco.com](http://www.atco.com)) or via SEDAR ([www.sedar.com](http://www.sedar.com)) or can be requested from the company.

The consolidated financial statements and management's discussion and analysis of financial condition and results of operations will be mailed to those share owners who have requested such information on or about July 28, 2005.

ATCO Group is an Alberta based, worldwide organization of companies with more than 7,000 employees actively engaged in Power Generation, Utilities and Global Enterprises. More information about ATCO can be found on its website, [www.atco.com](http://www.atco.com).

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